

REWARDS IS NOT ENOUGH

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<http://doi.org/10.35409/IJBMER.2022.3362>

ABSTRACT

Rewards are certainly needed to stimulate employees to be more enthusiastic in working. The study analyzed the role of job satisfaction mediation on the relationship between rewards to employees and employee productivity. The analysis used Structural Equation Modeling, with a sample of 350 employees. The analysis results prove; that there is a positive and significant influence between awards and employee productivity. There is a positive and significant influence between rewards to job satisfaction. There is a complete mediation role of Job Satisfaction to the relationship between Rewards and Employee Productivity. These results prove that Rewards are not enough to increase employee productivity. However, rewards must increase job satisfaction first before increasing employee productivity. Human Resource Managers can use these results to formulate the types of awards given to Employees to increase Employee Productivity.

Keyword: Rewards, Job Satisfaction, Employee Productivity.

1. INTRODUCTION

Productivity is the pride of every company, organization, and even country in a state of disruption of global financial turmoil, investment climate, slowing economic growth, trade issues, and the industrial revolution 4.0, which has a tremendous impact on the business world. Companies, organizations, countries strive to face these challenges by encouraging productivity and profitability so that the company's sustainability can be adequately maintained and developed.

According to literacy, there are four determinants of productivity, namely: Physical Capital, Human Capital, Natural Resources, Knowledge, and Technology. According to (Snell & Morris 2019), Human Resource Management is the process of managing human talent to achieve organizational goals. While (Robert L. Mathis, 2019) "It is a formal system designed within organizations to manage human talent to achieve organizational goals."

According to (Aithal et al., 2016), Theory X and Theory Y are based on assumptions about human nature and behavior that determine how individuals manage their employees. XY-Z theory. Theory X believes that employees work to meet their basic needs. Theory X managers believe that employees need closed supervision and responsible individuals are given immediate rewards. Employees are considered the most valuable asset to the company and drive the company's internal workings. Theory Y states that these particular employees thrive in their challenges and hope to improve their performance. Workers also tend to assume full responsibility for their work and do not require constant supervision to produce higher quality and standard products. Human Capital is analyzed by analyzing interesting phenomena of PT. Petrosea Tbk.

The phenomenon that occurred, the company is experiencing consecutive losses from 2014 to 2016, and then experiencing a revival in 2017 to 2019, by making profits.

However, the number of projects handled did not significantly change from year to year. Another interesting phenomenon is that, in 2016, the number of projects increased significantly, but the company still suffered losses.

Samples from 350 employees the phenomenon is analyzed factors that affect employee productivity as endogenous variables. With the following indicators of employee productivity; good work attendance, good skills, and skills; complete the work on time; achieving the optimal quantity of work; Faster transformation of job digitization. While Exogenous Variables are Rewards, and Mediation Variables are Job Satisfaction.

2. LITERATURE REVIEW

In management, X, Y, and Z are theories of human motivation relating to Maslow's hierarchy of needs and how human behavior and motivation are factors in productivity. (Byorum, 2015). (Hanaysha & Tahir, 2016), Employee rewards significantly affect job satisfaction, low satisfaction with contingent rewards, benefits, and salaries (Masum et al., 2016). Gratification plays a significant and positive role in employee engagement and motivation and as a tool to improve sustainable performance and competitiveness (Jeha et al., 2022). Intrinsic Rewards have a positive and significant effect on performance. In contrast, Extrinsic Rewards have a negative and insignificant effect on performance, and Job Satisfaction can partially mediate intrinsic rewards relationships to performance and fully mediate extrinsic rewards relationships to Performance (Pramono, 2021). (Böckerman & Ilmakunnas, 2012), Increasing the average level of employee job satisfaction on productivity is positive and significant.

Variable job satisfaction does not mediate the relationship between rewards and employee performance (Ratri et al., 2021).

3. CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESIS

The Conceptual Framework of the Research Model can be seen in Figure 1.

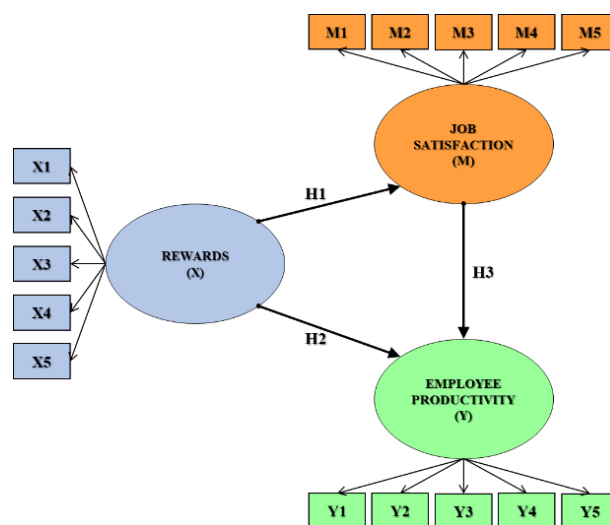


Figure 1. Conceptual Framework and Research Hypothesis

Description of Notation:

Rewards (X)

X1: Earn the applicable income. X2: Opportunity to use the ability. X3: Recognition of achievement.

X4: An exciting and challenging job. X5: Development opportunities.

Job Satisfaction (M) M1: A decent reward.

M2: Good working facilities.

M3: The organization's internal relationships are well established. M4: Award for work performance.

M5: Get job security. Employee Productivity (Y)

Y1: Good work attendance rate. Y2: Good skills.

Y3: Get the job done on time.

Y4: Achieving the optimal quantity of work.

Y5: The transformation of digitalization of work.

Hypothesis 1 (H1): Rewards have a Positive and Significant Impact on Job Satisfaction.

Hypothesis 2 (H2): Rewards have a Positive and Significant Impact on Employee Productivity.

Hypothesis 3 (H3): Job Satisfaction mediates the relationship between Rewards to Employee Productivity.

4.STRUCTURAL EQUATION MODELING (SEM)

Structural Equation Modeling (SEM) can be seen in Figure 2.

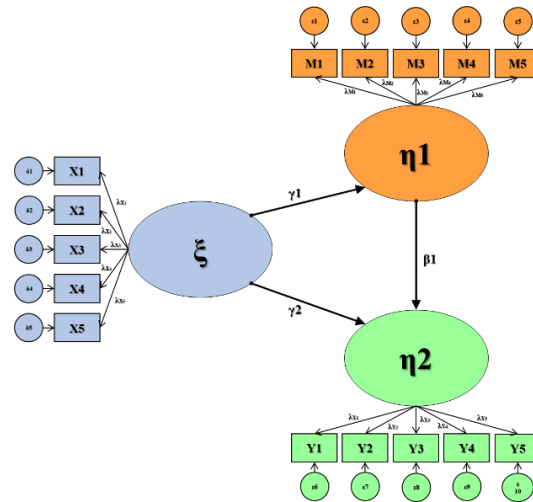


Figure 2. Structural Equation Modeling (SEM)

Notations used in Structural Equation Modeling (SEM):

ξ : Exogenous Latent Variables (Rewards).

η_1 : Endogenous Latent Variables (Job Satisfaction).

η_2 : Endogenous Latent Variables (Employee Productivity).

δ : Measurement error on the manifest variable for Exogenous latent variable. ϵ : Measurement error on the manifest variable for latent variable Endogene. γ : Coefficient of influence of exogenous variables on endogenous variables. β : Coefficient of influence of endogenous variables on endogenous variables.

Outer Model Equation:

Rewards (X) or (ξ):

$$X_1 = \lambda_{X1}\xi + \delta_1 \quad X_2 = \lambda_{X2}\xi + \delta_2 \quad X_3 = \lambda_{X3}\xi + \delta_3 \quad X_4 = \lambda_{X4}\xi + \delta_4 \quad X_5 = \lambda_{X5}\xi + \delta_5$$

Job Satisfaction (M) or (η_1):

$$M_1 = \lambda_{M1}\eta_1 + \epsilon_1 \quad M_2 = \lambda_{M2}\eta_1 + \epsilon_2 \quad M_3 = \lambda_{M3}\eta_1 + \epsilon_3 \quad M_4 = \lambda_{M4}\eta_1 + \epsilon_4 \quad M_5 = \lambda_{M5}\eta_1 + \epsilon_5$$

Employee Productivity (Y) or (η_2):

$$Y_1 = \lambda_{Y1}\eta_2 + \epsilon_6 \quad Y_2 = \lambda_{Y2}\eta_2 + \epsilon_7 \quad Y_3 = \lambda_{Y3}\eta_2 + \epsilon_8 \quad Y_4 = \lambda_{Y4}\eta_2 + \epsilon_9 \quad Y_5 = \lambda_{Y5}\eta_2 + \epsilon_{10}$$

Inner Model Equation:

$$\text{Job Satisfaction (M) or } (\eta_1) = \gamma_1\xi_1 + \xi_1$$

$$\text{Employee Productivity (Y) or } (\eta_2) = \gamma_2\xi_1 + \beta_1\eta_1 + \xi_2$$

5. METHODS

This study uses survey techniques by spreading questionnaires to 350 employees, then the data or information obtained is processed by statistical methods using software Warp PLS for data analysis. This research is an explanatory research that aims to explain the relationship between variables by testing a theory or hypothesis to strengthen or reject theories or hypotheses to analyze and test the effect of Rewards on Employee Satisfaction and Productivity.

Using variance-based and factor-based structural equation models (SEM), the least-squares, and factor-based methods. (Kock, 2015b)(Kock, 2015a).

There is a ten model fit and quality index (Kock, 2010)(Kock, 2014)(Kock, 2015c), as follows (refer to Table 1):

Table 1. Model fit and quality index

No	Model fit & Quality index	Criteria Fit
1	Average Path Coefficient (APC)	$p < 0.001$
2	Average R-squared (ARS)	$p < 0.001$
3	Average Adjusted R-squared (AARS)	$p < 0.001$
4	Average block Variance Inflation Factor (AVIF)	Acceptable if ≤ 5
		Ideally ≤ 3.3
5	Average Full Collinearity VIF (AFVIF)	Acceptable if ≤ 5
		Ideally ≤ 3.3
6	Tenenhaus GoF (GoF)	Small ≥ 0.1
		Medium ≥ 0.25
		Large ≥ 0.36
7	Simpson's paradox ratio (SPR)	Acceptable if ≥ 0.7
		Ideally = 1
8	R-squared contribution ratio (RSCR)	Acceptable if ≥ 0.9
		Ideally = 1
9	Statistical suppression ratio (SSR)	Acceptable if ≥ 0.7
10	Nonlinear- bivariate causality- direction ratio (NLBCDR)	Acceptable if ≥ 0.7

6. RESULTS AND DISCUSSION

Table 2. Composite reliability coefficients, Cronbach's alpha coefficients, Average variances extracted (AVE)

Latent Variables	Composite reliability coefficients	Cronbach's alpha coefficients	Average variances extracted (AVE)
Rewards (X)	0.891	0.847	0.621
Job Satisfaction (M)	0.965	0.955	0.849
Employee Productivity (Y)	0.962	0.950	0.836

Table 3. Analysis Results Model fit and quality index

No	Model fit & Quality index	Criteria Fit	Analysis results	Remarks
1	Average Path Coefficient (APC)	$p < 0.001$	0.438 $p < 0.001$	Good Significant
2	Average R-squared (ARS)	$p < 0.001$	0.520 $p < 0.001$	Good Significant
3	Average Adjusted R-squared (AARS)	$p < 0.001$	0.519 $p < 0.001$	Good Significant
4	Average block Variance Inflation Factor (AVIF)	Acceptable if ≤ 5	1.205	Ideal
		Ideally ≤ 3.3		
5	Average Full Collinearity VIF (AFVIF)	Acceptable if ≤ 5	1.394	Ideal
		Ideally ≤ 3.3		
6	Tenenhaus GoF (GoF)	Small ≥ 0.1	0.632	Large
		Medium ≥ 0.25		
		Large ≥ 0.36		
7	Simpson's paradox ratio (SPR)	Acceptable if ≥ 0.7	1	Ideal
		Ideally = 1		
8	R-squared contribution ratio (RSCR)	Acceptable if ≥ 0.9	1	Ideal
		Ideally = 1		
9	Statistical suppression ratio (SSR)	Acceptable if ≥ 0.7	1	Accepted
10	Nonlinear- bivariate causality- direction ratio (NLBCDR)	Acceptable if ≥ 0.7	1	Accepted

Table 4. R-squared coefficients, Adjusted R-squared coefficients, Q-squared coefficients

Latent Variables	R-squared coefficients	Adjusted R-squared coefficients	Q-squared coefficients
Job Satisfaction (M)	0.280	0.278	0.278
Employee Productivity (Y)	0.761	0.759	0.759

Results of 1st Hypothesis Analysis (H1)

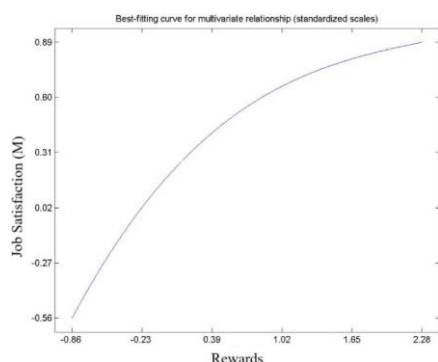


Figure 3. The best-fitting curve for a multivariate relationship between Rewards (X) with Job Satisfaction (M)

The relationship between Rewards (X) to Job Satisfaction (M) is Positive ($\beta = 0.529$) and Significant ($p < 0.001$). The results showed that the higher the rewards received by employees, causing job satisfaction to increase.

Results of the Second Hypothesis Analysis (H2)

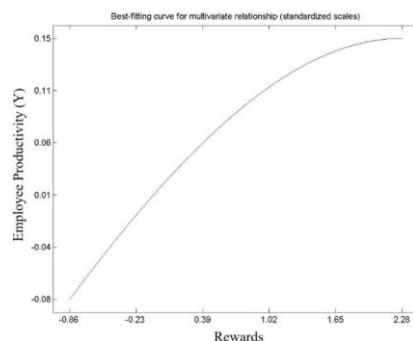


Figure 4. The best-fitting curve for a multivariate relationship between Rewards (X) with Employee Productivity (Y)

The relationship between Rewards (X) to Employee Productivity (Y) is Positive ($\beta = 0.430$) and Significant ($p < 0.001$). The better the rewards are given to employees, the better or increase employees' productivity.

Results of the Third Hypothesis Analysis (H3)

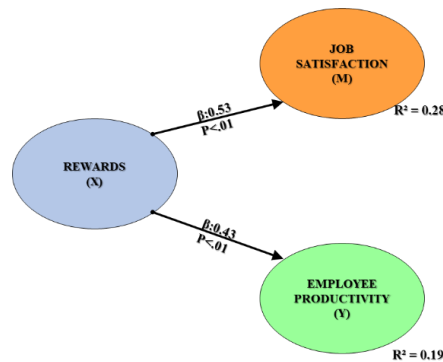


Figure 5. Before mediated by Job Satisfaction

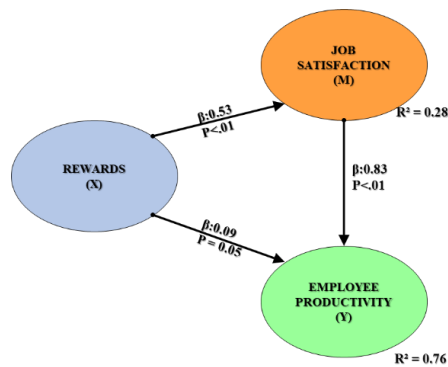


Figure 6. After Job Satisfaction Mediated

The mediation role of Job Satisfaction (M) to the relationship between Rewards (X) and Employee Productivity (Y) can be analyzed by looking at Figure 6 and Figure 7. In Figure 6, it appears that the relationship between Rewards (X) and Employee Productivity (Y) is Positive and Significant ($\beta = 0.43$, $p < 0.001$). In Figure 7, it appears that, after the role of Complete Mediation of Job Satisfaction (M), it can be seen that the relationship of Rewards (X) with Employee Productivity (Y) becomes positive and insignificant ($\beta = 0.09$, $p = 0.05$).

7. CONCLUSION

The results of the overall model analysis show that there is a Complete Mediation Role of Job Satisfaction to the relationship between Rewards (X) and Employee Productivity (Y).

The Research Model can produce a Coefficient of Determination of Employee Productivity of 0.76, which means Variable Rewards and Job Satisfaction of employees can explain their performance by 76%. In comparison, the rest (24%) are variables outside the research and error factor.

The theoretical implication of this research is that other factors besides appreciation to employees, as well as job satisfaction that causes an increase in employee productivity.

The practical implication of this research is as a reference for policymakers, namely managers and directors of human resources, in determining the Reward Policy for employees so as not to make Rewards a weakening factor or a factor that results in a decrease in employee productivity. Awards are not enough to increase Employee Productivity.

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